The Business Plan
Class Outline

- Why do business plans
- What goes in a business plan & why
- Pitfalls in business plan preparation
- Business plan – Assignment 2
Why business plan?

- Crucial or a waste of time?
- Entrepreneurship – an unmapped perilous journey
  - Chaotic, uncertain, dynamic, risky, surprising, pitfalls
  - 1st time travellers – no experience to guide, fall back on, reality check

- Essential 4 anchors of opportunities
  - Create or add significant value to end user
  - Solve a problem/serious pain point
  - Have robust economics/financials
  - Good fit with founder and team
Benefits of business plan

- You learn about your business, gain critical insights into partner's SWOT
- Gives you intimate knowledge of key ingredients of your business (opportunity, buyer, competition & market, economics, financial characteristics, likely entry strategy)
- It’s a tool to communicate with stakeholders – potential backers, team members, brain trust prospects, strategic partners
- Prevents/minimises temptation to jump ahead, limits sloppiness, forces you to think hard, research properly/realistically, be creative in problem solving
Benefits of business plan

- Tests your commitment, stops your heart running away from your head
- Saves time – helps avoid common mistakes, create order out of chaos
  - paradox – how do you plan for the unpredictable?
- Helps create best (not perfect) road map to move forward
- Medium for discussion with prospective investors
  - Helps identify most knowledgeable, creative, suited for likely to add significant value to your business
You don’t need a business plan

- Examples of back-of-the-envelop plans that lead to big success
- Some say business plans are unnecessary, get in the way
  - The exception not the norm
  - Often by experienced entrepreneurs
    - Investors flock to them
    - Work from a business “how to” script
- Opportunity is moving too fast
  - Dehydrated business plan
- Doing *it* is integral to **planning** for *it*
Developing the business plan

- Look at pg 276 – see the detail
- Culmination of lengthy, arduous, creative, iterative process
- Articulates merits, requirements, risks, potential rewards of the opportunity, how it will be seized
- Point of departure for investor’s due diligence
  - Ascertain potential & various risks of venture
    - Technology, market, management, competitive, strategic
  - Collision – founders & investors
    - Get to know each other, relationship building, negotiation
Developing the business plan

- The plan is obsolete when written
- Life span of a plan shortened by:
  - Pace of technology and information-age change
  - Market dynamism
- Ventures often do not match the original plan in strategy, market focus, products or services
- Work in progress – critical skills
  - Flexibility, responsiveness
  - Open mind
  - Be prepared to continually adjust to minimise risk and achieve success
The plan is **not the business**

- **A business plan**
  - Defines the blueprint, strategy, resources, people, requirements
  - Focuses and communicates founder vision
  - Does not guarantee success
  - Can shape the odds in your favour, but may not lead to success

- **Success needs**
  - Fundamental opportunity
  - Requisite resources
  - Right team
  - A business plan
Tips from the trenches

- Stress your business concept in executive summary
- The economics matter
  - **Value proposition** – a business or marketing statement that summarises why a consumer would buy a product or service. Should convince potential consumer that the product/service will add more value/solve a problem better than similar offerings
  - **Business model** – describes the rationale of how the organisation will create, deliver, capture value...how it will operate
Tips from the trenches

- Include copies of published articles, contracts, market studies, purchase orders, etc – any evidence to support your claims of potential success
- Make the business plan document *look* and *feel* good
- Include detailed resumes and reference lists of key players
- Hire someone to do this, if you do not know how/have the time….but….ensure YOU are deeply involved in the process…. 
Dehydrated business plan

- 4 to 10 pages
- Key points (follow the executive summary on page 276)
- Documents the analysis and information about the heart of the business opportunity, competitive advantages and creative insights of entrepreneur
- Takes only a few hours
- Can be preferred by investors to screen out the myriad of business plans presented to them
- It is a broad brush view, no tactical detail, not the same benefits to you as a more detailed plan….so use it wisely!
- Who should write the business plan? Why?
Goals & action – the relationship

- Effective planning requires
  - Time, discipline, commitment, dedication, practice and REAL research
  - Can be fun, stimulating – problems uncovered, solutions/strategies developed

- Goals of “the plan”
  - Foster or record a can do attitude
  - Keep the business on track
  - Investors – must be written by entrepreneur and team
    - Demonstrate you know your product, market, opportunity etc
    - Your ability to communicate vision & how to make it reality
    - Only carefully invest in business plan writing consultants
Segment & integrate information

- Organise the information to make it manageable and useful
- Segment it into discrete digestible sections
- Can work on segments in parallel or sequentially.
  - Market analysis is heart and soul of a plan – start here
  - Market drives the financial outcomes – start this 2\textsuperscript{nd}, updated by results from market analysis
  - Financial plans can come later…..
Action steps

- Segment information (spend thinking time on this)
  - Develop an overall plan for the document, prioritise segments, allocate responsibility for areas, due \textit{date} first draft

- Create an overall schedule
  - More specific tasks – be specific!
    - Prioritise detailed elements & tasks
    - Allocate responsibility
    - Start and finish dates
    - Reality check – conflicts? Scheduling? Review by external others

- Create an action calendar – match to schedule, reality check

- Just do it!....and modify as necessary as you go…..seek expert advisors & legal opinion on your draft
A complete business plan

- Screening an opportunity IS NOT the same as preparing a business plan
  - Opportunity screening to identify feasible opportunity
  - Business planning to induce financial investors & guide policies, actions, directions of the business

- Purpose of business plan demands that strategies, statements and information contained in plan
  - well thought out,
  - unambiguous,
  - capable of being supported
Summary

- Business planning is process and work in progress, not an end in itself
- Plans are obsolete when written – continually reflect, revise, research your business
- Business plan is a blueprint/flight plan that converts your opportunity into a venture
- The value proposition and business model are the most important aspects – get them correct, not fiction
- The plan is not the business
- Prepare and present a plan to determine fit among team members and potential financiers
- Dehydrated business plan is a short cut for certain purposes